

**GRANT PUBLIC SCHOOLS**  
**ANNUAL FINANCIAL REPORT**  
(with required supplementary and additional information)  
**JUNE 30, 2008**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

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# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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September 26, 2008

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Grant Public Schools  
Grant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grant Public Schools, Grant, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the school districts' basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Grant Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grant Public Schools, Grant, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of Grant Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant Public Schools, Grant, Michigan's basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Grant Public Schools, a K-12 school district located in Kent, Newaygo and Muskegon Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Grant Public Schools administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, school districts’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District’s assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current Assets	\$ 6,182,938	\$ 6,554,892
Non Current Assets		
Capital Assets	\$ 29,235,406	\$ 29,147,896
Less Accumulated Depreciation	<u>(11,627,916)</u>	<u>(11,129,878)</u>
Total Non Current Assets	<u>\$ 17,607,490</u>	<u>\$ 18,018,018</u>
Total Assets	<u><u>\$ 23,790,428</u></u>	<u><u>\$ 24,572,910</u></u>
<b>Liabilities</b>		
Current Liabilities	\$ 2,771,196	\$ 2,616,249
Non Current Liabilities	<u>11,709,779</u>	<u>12,748,439</u>
Total Liabilities	<u>\$ 14,480,975</u>	<u>\$ 15,364,688</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 7,747,490	\$ 7,463,018
Restricted for Debt Service	120,175	210,640
Unrestricted	<u>1,441,788</u>	<u>1,534,564</u>
Total Net Assets	<u>\$ 9,309,453</u>	<u>\$ 9,208,222</u>
Total Liabilities and Net Assets	<u><u>\$ 23,790,428</u></u>	<u><u>\$ 24,572,910</u></u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$101,231. A few of the more significant factors affecting net assets during the year are discussed below:

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$639,991 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$229,463 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$410,528 for the fiscal year ended June 30, 2008.

**E. Results of Operations**

For the fiscal year ended June 30, the results of operations, on a District-wide basis, were:

	<u>2008</u>	<u>2007</u>
<b>General Revenues</b>		
Property Taxes	\$ 2,514,918	\$ 2,356,465
Investment Earnings	112,360	138,219
State Sources	15,367,800	16,126,162
Other	<u>121,457</u>	<u>70,400</u>
Total General Revenues	<u>\$18,116,535</u>	<u>\$18,691,246</u>
<b>Program Revenues</b>		
Charges for Services	\$ 393,326	\$ 389,321
Operating Grants	<u>3,402,702</u>	<u>2,597,615</u>
Total Program Revenues	<u>\$ 3,796,028</u>	<u>\$ 2,986,936</u>
Total Revenues	<u>\$21,912,563</u>	<u>\$21,678,182</u>

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
<b>Expenses</b>		
Instruction	\$13,242,423	\$13,640,597
Supporting Services	6,370,682	6,499,291
Food Service Activities	647,217	693,249
Athletic Activities	275,562	310,328
Community Services	224,371	75,954
Capital Outlay	14,765	0
Interest on Long-Term Debt	393,284	491,819
Other Transactions	3,037	0
Unallocated Depreciation	<u>639,991</u>	<u>466,991</u>
Total Expenses	<u>\$21,811,332</u>	<u>\$22,178,229</u>
Changes in Net Assets	<u>\$ 101,231</u>	<u>\$ (500,047)</u>

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$ 864,995 in non-homestead property taxes.

The following table summarizes the general fund non-homestead property tax levies for operations for the past two years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2007-2008	864,995
2006-2007	797,832



GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007-2008 fiscal year, the District received \$7,204 per student FTE.

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past two fiscal years:

Fiscal Year	Blended Student FTE
2007-2008	2,341
2006-2007	2,366

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants of this type were \$3,402,702.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	<u>\$ 18,815,350</u>	<u>\$ 19,329,779</u>	<u>\$19,518,073</u>
<u>EXPENDITURES</u>			
Instruction	\$ 13,509,825	\$ 13,315,525	\$13,064,260
Supporting Services	6,401,221	6,668,284	6,523,549
Community Services	175,841	176,930	175,854
Other	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Total Expenditures	<u>\$ 20,106,887</u>	<u>\$ 20,180,739</u>	<u>\$19,763,663</u>

The total revenues variance between original and final budget was \$514,429 and the total expenditures variance was \$73,852. Budgets were adjusted as estimates were revised due to more accurate information.

## **H. Capital Asset and Debt Administration**

### **1. Capital Assets**

At June 30, 2008, the District has \$29,235,406 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$87,510 over the prior fiscal year. Depreciation expense for the year amounted to \$639,991 bringing the accumulated depreciation to \$11,627,916 as of June 30, 2008.

### **2. Long-Term Debt**

At June 30, 2008, the District had \$9,980,701 in bonded debt outstanding. This represents a reduction of \$695,000 from the amount outstanding at the close of the prior fiscal year. The District also owes \$665,481 to the School Bond Loan Fund. Additionally, the estimated liability for compensated absences is \$1,754,974 at June 30, 2008.

The School District's long-term obligations consisted of the following as of June 30, in the respective years:

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Long-Term Obligations

	<u>2008</u>	<u>2007</u>
Bonds payable	\$ 9,980,701	\$ 10,675,701
School Bond Loan	665,481	1,190,927
Compensated Absences	<u>1,754,974</u>	<u>1,576,811</u>
Total	<u>\$ 12,401,156</u>	<u>\$ 13,443,439</u>

The School District's General Obligation Bond rating continues to be favorable. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified Debt," (i.e. debt backed by the State of Michigan), such obligations are not subject to this limit. The School District's outstanding unqualified general obligation debt of \$10 million is significantly below the statutorily imposed limit.

We present more detailed information about our long-term liabilities in the notes to the financial statements.

**I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008-2009 fiscal year. The early indication is that the foundation allowance will receive a small increase. This will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits.
- The contracts with the Grant Education Association and the Grant Education Support Personnel Association, the unions that represent the teaching staff and support staff, expired on June 30, 2008. The District is currently in negotiations.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students becomes very important. This increase in assessments of all students will need to be funded by the district.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Grant Public Schools, 148 S. Elder Avenue, Grant, MI 49327.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 699,993
Investments	2,351,888
Accounts Receivable	8,233
Inventories	8,640
Due from Other Governmental Units	3,114,184
Total Current Assets	<u>6,182,938</u>

NON CURRENT ASSETS

Capital Assets	29,235,406
Less Accumulated Depreciation	<u>(11,627,916)</u>
Total Non Current Assets	<u>17,607,490</u>
TOTAL ASSETS	<u><u>\$ 23,790,428</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 56,996
Accrued Interest Payable	67,491
Accrued Payroll and Other Liabilities	1,895,752
Deferred Revenue	59,580
Current Portion of Non Current Liabilities	691,377
Total Current Liabilities	<u>2,771,196</u>

NON CURRENT LIABILITIES

Bonds Payable	9,980,701
Compensated Absences	1,754,974
Other Obligations	665,481
Less Current Portion of Non Current Liabilities	<u>(691,377)</u>
Total Non Current Liabilities	<u>11,709,779</u>
Total Liabilities	<u>14,480,975</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	7,747,490
Restricted for Debt Service	120,175
Unrestricted	<u>1,441,788</u>
Total Net Assets	<u>9,309,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,790,428</u></u>

The notes to the financial statements are an integral part of this statement.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR	OPERATING	ACTIVITIES
		SERVICES	GRANTS	NET (EXPENSE)
				REVENUE AND
				CHANGES IN
				NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$13,242,423	\$ 67,934	\$ 2,657,231	\$ (10,517,258)
Supporting Services	6,370,682	0	167,342	(6,203,340)
Food Service	647,217	247,190	393,571	(6,456)
Athletic Activities	275,562	52,974	0	(222,588)
Community Services	224,371	25,228	184,558	(14,585)
Capital Outlay	14,765	0	0	(14,765)
Interest on Long Term Debt	393,284	0	0	(393,284)
Other Transactions	3,037	0	0	(3,037)
Unallocated Depreciation	639,991	0	0	(639,991)
Total Governmental Activities	<u>\$21,811,332</u>	<u>\$ 393,326</u>	<u>\$ 3,402,702</u>	<u>(18,015,304)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				864,995
Property Taxes - Debt Service				1,649,923
Investment Earnings				112,360
State Sources				15,367,800
Other				121,457
Total General Revenues				<u>18,116,535</u>
Change in Net Assets				101,231
<u>NET ASSETS</u> - Beginning of Year				<u>9,208,222</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 9,309,453</u>

The notes to the financial statements are an integral part of this statement.

GRANT PUBLIC SCHOOLS

GRANT, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2008

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 325,053	\$ 374,940	\$ 699,993
Investments	2,178,134	173,754	2,351,888
Accounts Receivable	8,233	0	8,233
Due from Other Funds	18,947	1,107	20,054
Due from Other Governmental Units	3,110,139	4,045	3,114,184
Inventories	0	8,640	8,640
TOTAL ASSETS	\$5,640,506	\$ 562,486	\$ 6,202,992
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 56,236	\$ 760	\$ 56,996
Accrued Payroll and Other Liabilities	1,889,710	6,042	1,895,752
Due to Other Funds	1,107	18,947	20,054
Deferred Revenue	55,970	3,610	59,580
Total Liabilities	2,003,023	29,359	2,032,382
<u>FUND BALANCES</u>			
Reserved for Inventory	0	8,640	8,640
Reserved for Debt Retirement	0	187,666	187,666
Unreserved, Designated Reported In:			
Capital Projects Funds	0	197,522	197,522
Unreserved, Undesignated Reported In:			
General Fund	3,637,483	0	3,637,483
Special Revenue Funds	0	139,299	139,299
Total Fund Balances	3,637,483	533,127	4,170,610
TOTAL LIABILITIES AND FUND BALANCES	\$5,640,506	\$ 562,486	\$ 6,202,992

The notes to the financial statements are an integral part of this statement.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

Total Governmental Fund Balances	\$ 4,170,610
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Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are  
not reported in the funds

The cost of the capital assets is	29,235,406	
Accumulated depreciation is	<u>(11,627,916)</u>	17,607,490

Long term liabilities are not due and payable in the current period and are not  
reported in the funds

Bonds Payable	(9,980,701)
Compensated Absences	(1,754,974)
School Bond Loan	(665,481)

Accrued interest is not included as a liability in government funds, it is recorded when paid	<u>(67,491)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,309,453</u></u>
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The notes to the financial statements are an integral part of this statement.



GRANT PUBLIC SCHOOLS

GRANT, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,379,427	\$ 1,999,055	\$ 3,378,482
State Sources	16,741,183	22,769	16,763,952
Federal Sources	1,168,300	370,802	1,539,102
Other Transactions	229,163	1,864	231,027
Total Revenues	19,518,073	2,394,490	21,912,563
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	9,247,495	0	9,247,495
Added Needs	2,908,530	0	2,908,530
Adult/Continuing Education	908,235	0	908,235
Supporting Services			
Pupil	510,212	0	510,212
Instructional Staff	553,594	0	553,594
General Administration	328,499	0	328,499
School Administration	1,322,681	0	1,322,681
Business	257,660	0	257,660
Operation and Maintenance	1,933,684	0	1,933,684
Pupil Transportation Services	1,229,447	0	1,229,447
Central Services	387,772	0	387,772
Food Service	0	647,217	647,217
Athletic Activities	0	281,132	281,132
Community Services			
Direction	76,474	0	76,474
Community Recreation	0	48,517	48,517
Custody and Care of Children	99,380		99,380
Capital Outlay	0	85,791	85,791
Debt Service			
Principal	0	1,272,000	1,272,000
Interest and Fees	0	411,280	411,280
Other Transactions	0	3,037	3,037
Total Expenditures	19,763,663	2,748,974	22,512,637
Excess (Deficiency) of Revenues Over Expenditures	(245,590)	(354,484)	(600,074)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	443,130	443,130
Transfers Out	(443,130)	0	(443,130)
Total Other Financing Sources (Uses)	(443,130)	443,130	0
Net Change in Fund Balance	(688,720)	88,646	(600,074)
<u>FUND BALANCE</u> - Beginning of Year	4,326,203	444,481	4,770,684
<u>FUND BALANCE</u> - End of Year	\$ 3,637,483	\$ 533,127	\$ 4,170,610

The notes to the financial statements are an integral part of this statement.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net change in Fund Balances Total Governmental Funds	\$ (600,074)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(639,991)
Capital Outlay	229,463

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	137,041
Accrued Interest Payable - End of Year	(67,491)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	1,272,000
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Increases in the School Bond Loan are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	(51,554)
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Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	1,576,811
Compensated Absences - End of Year	(1,754,974)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 101,231</u>
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The notes to the financial statements are an integral part of this statement.

GRANT PUBLIC SCHOOLS  
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STATEMENT OF FIDUCIARY NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 120,765</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	120,765
<u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 120,765</u>

The notes to the financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Grant Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

Grant Public Schools (the "District") is located in Kent, Newaygo and Muskegon Counties with its administrative offices located in Grant, Michigan. The District is governed by the Grant Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 2,341 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and community recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which

GRANT PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic, and community recreation activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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NOTES TO FINANCIAL STATEMENTS  
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**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Grant Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

**1. Cash and Investments**

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

GRANT PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.00
2002 Debt Service Fund - Homestead and Non-homestead	3.65
2004 Debt Service Fund – Homestead and Non-homestead	3.81

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Site Improvements	20-50 years
Buses and Other Vehicles	5-10 years
Furniture and other equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate certain earned but unused benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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NOTES TO FINANCIAL STATEMENTS  
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9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 11, 2007 or as amended by the School Board of Education in June 2008.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

General Fund – Added Needs expenditures of \$2,908,530 exceeded appropriations of \$2,871,055  
General Fund – Pupil expenditures of \$510,212 exceeded appropriations of \$493,268  
General Fund – Central Services expenditures of \$387,772 exceeded appropriations of \$290,650  
General Fund – Custody and Care expenditures of \$99,380 exceeded appropriations of \$97,210  
Community Recreation Fund – Expenditures of \$48,517 exceeded appropriations of \$47,523  
Food Service Fund – Expenditures of \$647,217 exceeded appropriations of \$627,312

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are all on deposit with Choice One Bank and Michigan School District Liquid Asset Fund Plus.

*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by

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diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$532,903 of the government's bank balance of \$1,196,942 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>2,351,888</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash and Cash Equivalents	\$ 699,993	\$ 0	\$ 120,765	\$ 820,758
Investments	0	2,351,888	0	2,351,888
	<u>\$ 699,993</u>	<u>\$ 2,351,888</u>	<u>\$ 120,765</u>	<u>\$ 3,172,646</u>

GRANT PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 8,233	\$ 0	\$ 8,233
Due from Other Governments	3,110,139	4,045	3,114,184
Total Receivables	<u>\$ 3,118,372</u>	<u>\$ 4,045</u>	<u>\$ 3,122,417</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grants Receipts Received, But Not Yet Utilized	\$ 0	\$ 55,970
Revenue Received, But Not Yet Utilized	0	3,610
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 0</u>	<u>\$ 59,580</u>

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NOTES TO FINANCIAL STATEMENTS  
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**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets being depreciated				
Buildings and additions	\$ 24,997,483	\$ 0	\$ 0	\$ 24,997,483
Site Improvements	895,627	71,026	0	966,653
Machinery and equipment	1,495,769	113,916	0	1,609,685
Transportation equipment	1,759,017	44,521	141,953	1,661,585
Subtotal	\$ 29,147,896	\$ 229,463	\$ 141,953	\$ 29,235,406
Less accumulated depreciation for:				
Buildings and additions	\$ 7,734,194	\$ 522,712	\$ 0	\$ 8,256,906
Site Improvements	503,028	41,270	0	544,298
Machinery and equipment	1,168,096	59,679	0	1,227,775
Transportation equipment	1,724,560	16,330	141,953	1,598,937
Accumulated depreciation	\$ 11,129,878	\$ 639,991	\$ 141,953	\$ 11,627,916
Net Capital assets	\$ 18,018,018	\$ (410,528)	\$ 0	\$ 17,607,490

Depreciation for the fiscal year ended June 30, 2008 amounted to \$639,991. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2008:

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NOTES TO FINANCIAL STATEMENTS  
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	SCHOOL BOND LOAN FUND	COMPENSATED ABSENCES AND SEVERANCE PLAN	BONDS	TOTAL
Balance, July 1, 2007	\$ 1,190,927	\$ 1,576,811	\$ 10,675,701	\$13,443,439
Additions	51,554	178,163	0	229,717
Deletions	(577,000)	0	(695,000)	(1,272,000)
Balance, June 30, 2008	665,481	1,754,974	9,980,701	12,401,156
Less current portion	0	0	(691,377)	(691,377)
Total due after one year	<u>\$ 665,481</u>	<u>\$ 1,754,974</u>	<u>\$ 9,289,324</u>	<u>\$11,709,779</u>

Long-Term Debt at June 30, 2008 is comprised of the following:

2002 School Building and Site Bonds due in annual installments of \$275,000 to \$325,000 through May 1, 2028 with interest at 3.25% to 4.75%	\$ 6,030,000
2004 Refunding Bonds due in annual installments of \$295,000 to \$405,000 through May 1, 2019, with interest at 2.75% to 4.05%.	<u>3,830,000</u>
Total general obligation debt	9,860,000
School Bond Loan Fund loan beginning October 30, 1996, Interest at 4.75%. This is a loan from the State of Michigan pursuant to P.A. 108 of 1961. The District's debt retirement millage is limited to 7.46 mills. As long as the tax revenue from this millage is insufficient to make current debt service payments on the District's bonds, additional loans can be obtained in amounts sufficient to make bond and interest payments. No payments are due on the School Bond Loan Fund loan or accrued interest until such time as tax revenues exceed bond debt service requirements, which includes accrued interest of \$37,961. The District is currently repaying these obligations.	665,481
1998 Limited obligation bonds (Durant bonds) due in annual installments of \$11,377 to \$70,059 through May 2013.	<u>120,701</u>
	<u>\$ 10,646,182</u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

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The annual requirements to amortize all debt outstanding as of June 30, 2008, are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2009	\$ 691,377	\$ 395,333	\$ 1,086,710
2010	745,059	398,667	1,143,726
2011	692,485	352,498	1,044,983
2012	683,079	328,753	1,011,832
2013	673,701	304,230	977,931
2014-2018	3,125,000	1,151,348	4,276,348
2019-2023	1,795,000	594,058	2,389,058
2024-2028	1,575,000	228,000	1,803,000
	<u>9,980,701</u>	<u>3,752,887</u>	<u>13,733,588</u>
Compensated absences and severance plan			1,754,974
School Bond Loan Fund			<u>665,481</u>
			<u>\$ 16,154,043</u>

The annual requirements to amortize the accrued sick leave and School Bond Loan Fund is uncertain because it is unknown when the repayments will be made.

**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 18,947	\$ 1,107
Food Service Fund	1,107	0
Athletics Fund	0	56
Community Recreation Fund	0	5,871
Debt Retirement Fund - 2002 Refunding Debt Fund	0	13,020
	<u>\$ 20,054</u>	<u>\$ 20,054</u>



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All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2008, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 443,130
Food Service	10,000	0
Athletic Fund	227,130	0
Community Recreation Fund	6,000	0
Building and Site Fund	200,000	0
	<u>\$ 443,130</u>	<u>\$ 443,130</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**F. Leases**

The rental expense for the year ended June 30, 2008, totaled \$14,744.

The rental expense consists primarily of lease agreements on copiers. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	
2009	\$ 11,664
2010	10,440
2011	10,440
2012	870
	<u>\$ 33,414</u>

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**G. Short-Term Debt**

On October 19, 2007, the District issued a State Aid Note in the amount of \$1,000,000 which has been paid in full.

**H. Defeased Debt**

On January 1, 1994, the District issued \$8,795,000 General Obligation bonds with an average interest rate of 4.6% for the purpose of refunding the portions of the District's 1986 and 1989 School Building and Site Bonds dated July 1, 1986 and November 1, 1996, respectively, and to pay the costs of issuance of the Bonds. The 1986 bonds are due and payable May 1, 1997 through 2005, and the 1989 Bonds are due and payable May 1, 2000 through 2019.

The \$8,555,769 (net of Bond issue costs and discounts) was placed in a separate escrow account with the Bank of New York for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, these maturities are considered in-substance defeased and removed from the long-term debt of the District. The escrow account assets and the liability for the defeased bonds are not included in the District's financial statements.

**NOTE 4 - OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

GRANT PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007, and 2006 were \$2,004,167, \$2,134,196 and \$1,918,763 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**C. Sale of Future Revenues**

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Kent, Newaygo and Muskegon County treasurers. For the 2007 tax roll the District received a lump sum payment of \$124,721 for general operating tax revenues and \$205,336 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

**D. Single Audit**

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. This audit is being performed and the reports based thereon will be issued under separate cover.

GRANT PUBLIC SCHOOLS

GRANT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS BUDGETARY BASIS
<u>REVENUES</u>			
Local Sources	\$ 1,182,358	\$ 1,279,173	\$ 1,379,427
State Sources	16,292,824	16,695,076	16,741,183
Federal Sources	1,140,168	1,165,530	1,168,300
Other Transactions	200,000	190,000	229,163
Total Revenues	18,815,350	19,329,779	19,518,073
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	9,630,181	9,462,331	9,247,495
Added Needs	2,883,896	2,871,055	2,908,530
Adult/Continuing Education	995,748	982,139	908,235
Supporting Services			
Pupil	563,803	493,268	510,212
Instructional Staff	501,201	558,030	553,594
General Administration	349,194	367,104	328,499
School Administration	1,504,436	1,425,839	1,322,681
Business	245,023	266,423	257,660
Operation and Maintenance	1,972,070	2,011,335	1,933,684
Pupil Transportation Services	1,243,494	1,255,635	1,229,447
Central Services	22,000	290,650	387,772
Community Services			
Direction	78,631	79,720	76,474
Custody and Care of Children	97,210	97,210	99,380
Payments to other Districts	20,000	20,000	0
Total Expenditures	20,106,887	20,180,739	19,763,663
Excess (Deficiency) of Revenues Over Expenditures	(1,291,537)	(850,960)	(245,590)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(436,000)	(446,000)	(443,130)
Net Change in Fund Balance	(1,727,537)	(1,296,960)	(688,720)
<u>FUND BALANCE</u> - Beginning of Year	4,326,203	4,326,203	4,326,203
<u>FUND BALANCE</u> - End of Year	\$ 2,598,666	\$ 3,029,243	\$ 3,637,483

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2008

	SPECIAL REVENUE FUNDS		
	FOOD SERVICE	ATHLETICS	COMMUNITY RECREATION
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 26,035	\$ 86,856	\$ 37,595
Investments	0	0	0
Due from Other Funds	1,107	0	0
Due from Other Governmental Units	4,045	0	0
Inventories	8,640	0	0
TOTAL ASSETS	\$ 39,827	\$ 86,856	\$ 37,595
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 72	\$ 15	\$ 673
Accrued Payroll and Other Liabilities	4,067	0	1,975
Due to Other Funds	0	56	5,871
Deferred Revenue	3,610	0	0
Total Liabilities	7,749	71	8,519
<u>FUND BALANCE</u>			
Reserved for Inventory	8,640	0	0
Reserved for Debt Retirement	0	0	0
Unreserved, Designated for:			
Capital Projects	0	0	0
Unreserved, Undesignated	23,438	86,785	29,076
Total Fund Balances	32,078	86,785	29,076
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,827	\$ 86,856	\$ 37,595

DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
2002	2004	BUILDING AND SITE	CAPITAL PROJECTS	
\$ 10,141	\$ 16,791	\$ 197,522	\$ 0	\$ 374,940
121,015	52,739	0	0	173,754
0	0	0	0	1,107
0	0	0	0	4,045
0	0	0	0	8,640
\$ 131,156	\$ 69,530	\$ 197,522	\$ 0	\$ 562,486

\$ 0	\$ 0	\$ 0	\$ 0	\$ 760
0	0	0	0	6,042
13,020	0	0	0	18,947
0	0	0	0	3,610
13,020	0	0	0	29,359

0	0	0	0	8,640
118,136	69,530	0	0	187,666
0	0	197,522	0	197,522
0	0	0	0	139,299
118,136	69,530	197,522	0	533,127
\$ 131,156	\$ 69,530	\$ 197,522	\$ 0	\$ 562,486

GRANT PUBLIC SCHOOLS  
GRANT, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS		
	FOOD SERVICE	ATHLETICS	COMMUNITY RECREATION
<u>REVENUES</u>			
Local Sources	\$ 247,333	\$ 56,602	\$ 33,449
State Sources	22,769	0	0
Federal Sources	370,802	0	0
Other Transactions	0	0	0
Total Revenues	640,904	56,602	33,449
<u>EXPENDITURES</u>			
Food Service Activities	647,217	0	0
Athletic Activities	0	281,132	0
Community Recreation	0	0	48,517
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest and Fees	0	0	0
Other Transactions	0	0	0
Total Expenditures	647,217	281,132	48,517
Excess (Deficiency) of Revenues Over Expenditures	(6,313)	(224,530)	(15,068)
<u>OTHER FINANCING SOURCES</u>			
Transfers In	10,000	227,130	6,000
Net Change in Fund Balance	3,687	2,600	(9,068)
<u>FUND BALANCE</u> - Beginning of Year	28,391	84,185	38,144
<u>FUND BALANCE</u> - End of Year	\$ 32,078	\$ 86,785	\$ 29,076



DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
2002	2004	BUILDING AND SITE	CAPITAL PROJECTS	
\$ 808,733	\$ 852,746	\$ 192	\$ 0	\$ 1,999,055
0	0	0	0	22,769
0	0	0	0	370,802
0	1,864	0	0	1,864
808,733	854,610	192	0	2,394,490
0	0	0	0	647,217
0	0	0	0	281,132
0	0	0	0	48,517
0	0	85,659	132	85,791
557,000	715,000	0	0	1,272,000
266,151	145,129	0	0	411,280
3,037	0	0	0	3,037
826,188	860,129	85,659	132	2,748,974
(17,455)	(5,519)	(85,467)	(132)	(354,484)
0	0	200,000	0	443,130
(17,455)	(5,519)	114,533	(132)	88,646
135,591	75,049	82,989	132	444,481
\$ 118,136	\$ 69,530	\$ 197,522	\$ 0	\$ 533,127

GRANT PUBLIC SCHOOLS

GRANT, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2008

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2007	(Including Transfers)		6/30/2008
High School				
Activity	\$ 6,109	\$ 6,956	\$ 8,057	\$ 5,008
Alumni	7,491	2,669	3,376	6,784
Annual	2,836	19,289	18,384	3,741
A.P.P.	407	0	0	407
Art Jewelry	102	315	402	15
Band	41	0	0	41
Baseball	723	6,031	5,956	798
Beaver Island	(135)	8,197	7,907	155
Boys Basketball	269	4,374	4,583	60
Cheerleading	92	0	0	92
Chris Franklin Memorial	58	0	0	58
Choir	220	0	0	220
Class of 2007	1,668	0	791	877
Class of 2008	2,498	0	2,274	224
Class of 2009	1,176	11,783	11,060	1,899
Class of 2010	95	1,377	825	647
Class of 2011	0	105	0	105
Close Up	550	2,286	2,797	39
FFA General	2,280	17,601	18,639	1,242
FFA Live	1,970	6,549	6,085	2,434
Football	101	1,870	1,371	600
Foreign Language	(595)	0	0	(595)
Forestry	1,037	0	0	1,037
Girls Basketball	714	4,638	3,621	1,731
Greenhouse	(100)	0	0	(100)
History Day	0	3,841	3,225	616
Incidental	2,134	1,655	2,309	1,480
Lakes Eight Activity	75	0	0	75
Latin Club	401	0	150	251
National Honor Society	166	893	936	123
Property Department	2,708	0	0	2,708
SADD	880	0	0	880
School Store	571	0	0	571
Science Club	376	0	0	376
Scholarship Fund	103	0	0	103
Softball	(57)	0	0	(57)
Spanish Club	51	0	0	51

GRANT PUBLIC SCHOOLS

GRANT, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2008

	BALANCE 7/1/2007	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2008
Student Council	1,010	10,358	10,328	1,040
Teacher's Pop	135	749	449	435
Tennis	325	4,923	4,548	700
Theatrics	(1,675)	0	0	(1,675)
Track	(1,326)	0	0	(1,326)
Varsity Club	146	0	0	146
Volleyball	181	2,784	2,965	0
Wrestling	414	0	0	414
Total High School	36,225	119,243	121,038	34,430
Middle School				
Incidental	35,619	27,279	28,531	34,367
Library	2,427	6,932	8,508	851
Pop	88	0	0	88
Yearbook	965	3,904	3,772	1,097
7th Grade Science	86	0	0	86
8th Grade Science	387	0	0	387
Odyssey of the Mind	(137)	0	0	(137)
Peer Coaching	685	1,420	1,406	699
Athletic	0	3,817	3,811	6
Total Middle School	40,120	43,352	46,028	37,444
Elementary				
Music	784	215	0	999
Activity	1,165	309	470	1,004
Pop	1,794	613	0	2,407
Parent Involvement	(233)	0	0	(233)
Book Fair	(3,642)	165	138	(3,615)
Tiger Tees	728	0	165	563
Candy Sales	13,854	30,721	28,166	16,409
Student Supplies	1,581	1,516	776	2,321
RIF	2,550	0	1,349	1,201
Total Elementary	18,581	33,539	31,064	21,056
Primary Center				
Beverage	421	727	0	1,148
Flowers	51	355	243	163
Incidental	8,095	14,395	15,454	7,036

GRANT PUBLIC SCHOOLS

GRANT, MICHIGAN

FIDUCIARY FUND TYPES

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2008

	BALANCE 7/1/2007	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2008
Jeans for Kids	272	0	0	272
Library	252	4,400	4,487	165
Playground	6,619	0	28	6,591
Student Activities	5,381	2,912	2,479	5,814
Reading Incentive	117	0	0	117
Accelerated Reader	2,409	0	340	2,069
Level Library	(392)	580	242	(54)
Family Christmas	0	4,381	3,290	1,091
Total Primary Center	23,225	27,750	26,563	24,412
Learning Center				
Activity	1,298	2,298	2,081	1,515
Bill Stevens Memorial	0	490	0	490
Total Learning Center	1,298	2,788	2,081	2,005
Central Office				
Region 20 Bus Rodeo	317	1,532	431	1,418
Total Learning Center	317	1,532	431	1,418
TOTAL	\$ 119,766	\$ 228,204	\$ 227,205	\$ 120,765

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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September 26, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education  
Grant Public Schools  
Grant, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant Public Schools for the year ended June 30, 2008, and has issued our report thereon dated September 26, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Grant Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Grant Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grant Public Schools are described in Note I to the financial statements. No new

accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 26, 2008.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Grant Public Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

#### Public Act 621

The School has adequate procedures and controls in place to prepare and monitor the budgets. However, we did note the following items that were not in compliance with Public Act 621 (Uniform Budgeting and Accounting Act).

The Food Service Fund and Community Recreation Fund expenditures exceeded the budgeted amounts. Also several functions within the General Fund exceeded the budgeted amounts.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*